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**SHADOW POLITICS:**  
**The Russian State**  
**in the 21st Century**

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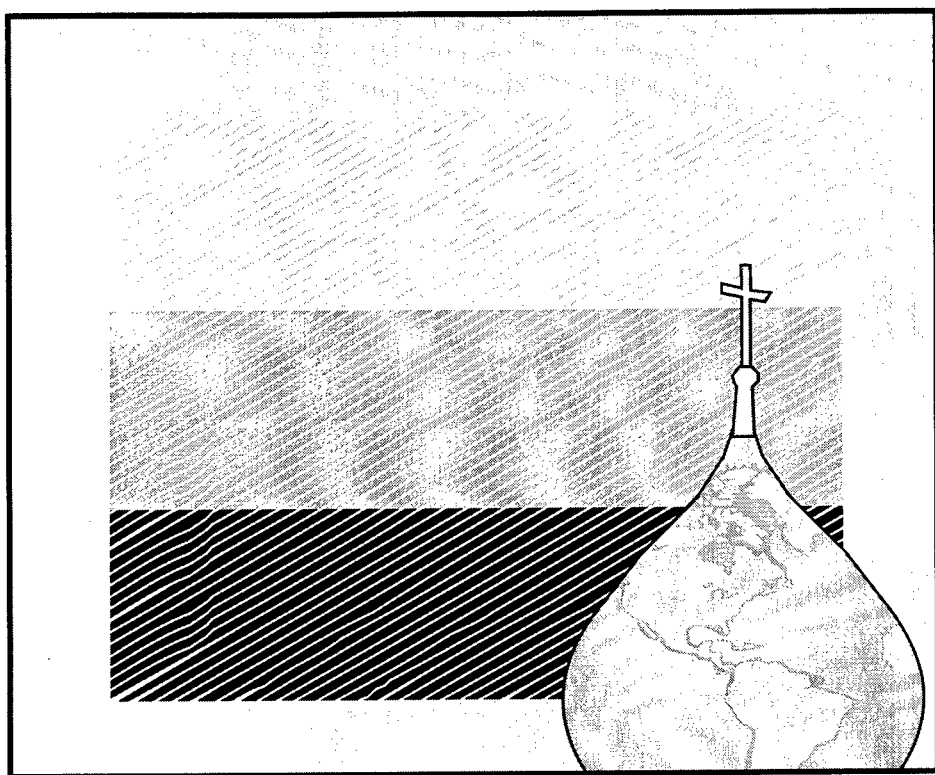
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## **Russia's Future as a World Power**

**SHADOW POLITICS:  
THE RUSSIAN STATE  
IN THE 21st CENTURY**

**Peter J. Stavrakis**

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## FOREWORD

In late April 1997, the U.S. Army War College's Strategic Studies Institute hosted its Eighth Annual Strategy Conference. The theme for this year's conference was "Russia's Future as a World Power." For two days, scholars, military professionals, and policymakers from the United States, Europe, and Russia engaged in a very useful exchange of ideas and viewpoints.

In the paper that follows, Dr. Peter J. Stavrakis, of the Kennan Institute for Advanced Russian Studies, describes the emergence in Russia of a kind of oligarchic capitalism, controlled by old political elites, and thriving amid an extra-legal "parallel shadow government." In short, rather than a Western-style free market plural democracy, Dr. Stavrakis contends that Russia's central power structures to date have derived from a fusion between corrupt government officials and private sector elites. Together they prey on the resources and the potentially productive elements of Russian society.

Dr. Stavrakis paints an intriguing portrait of a Russian government that resembles the "weak" states of Africa more than those of Western Europe. He explores both similarities and critical distinctions between African systems and today's Russia. While the differences are telling, they do not augur well for a progressive Russian transition, either domestically or internationally.



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## **BIOGRAPHICAL SKETCH OF THE AUTHOR**

PETER J. STAVRAKIS is Deputy Director of the Kennan Institute for Advanced Russian Studies at the Woodrow Wilson International Center for Scholars. He earned his Ph.D. in political science at the University of Wisconsin-Madison. From 1992-1993, Dr. Stavrakis was a research scholar at the Institute where he studied the bureaucratic transformation in Russia and Kazakhstan. He is the author of *Moscow and Greek Communism, 1949-1994* (Cornell, 1989) and coeditor of *Beyond the Monolith: The Emergence of Regionalism in Post-Soviet Russia*, forthcoming from Johns Hopkins University Press.

## **SHADOW POLITICS: THE RUSSIAN STATE IN THE 21st CENTURY**

### **Russia and the Paradox of State Power.**

Assessments of Russia's future possess a lamentable tendency to oscillate between enthusiastic optimism about the development of free market democracy or brooding pessimism concerning the vitality of Russia's absolutist heritage, without providing many durable insights.<sup>1</sup> The goal of this essay is to undertake a more penetrating analysis of a paradox of state power that lies at the heart of future Russian politics. One of the distinguishing features of post-Soviet transition unquestionably has been the political elite's remarkable autonomy of power: as the institutional infrastructure of the old regime collapsed, political elites concentrated on economic reform that later came to resemble economic plunder, leaving an institutional void in many areas of government policy. Russia became, in the words of Robert Jackson, a "quasi-state": endowed with juridical statehood, yet lacking the political will, institutional capacity, and organized authority to protect human rights and provide socioeconomic welfare.<sup>2</sup> The debacle in Chechnya added the shocking realization of the degeneration of Russian military capacity.

In contrast to "normal" societies where political power is circumscribed by an institutional framework and the rule of law, the void of the transformation period provided Russian elites a rare opportunity to exercise their power unfettered by such constraints. The result has been to produce a "weak" Russian state in which institutional development occurs only at the whim of the political elite. An oligarchic capitalism has taken hold in Moscow, yet the political calculus remains paramount, state institutions underdeveloped, and the current elite-reformist credentials notwithstanding—lives beyond the reach of the law.

This is a curious and perplexing outcome, for Russia has managed not only to endure, but to score some very important reform victories on the path to transformation. How can one explain the apparent paradox of a "weak" state undertaking policies more durable political systems could not implement? Viewed from a comparative perspective, the paradox disappears as Russia's experience bears striking similarities to other developing societies. In essence, the crises of governance and Russian elites' "reform" responses reflect the pattern of political development—or maldevelopment—present in many African states. In the absence of normal state building, Russia's political elites, like their African counterparts, undertook to construct a parallel political authority—a shadow state<sup>3</sup>—whose defining characteristic is a corrupt fusion between government and private sector elites that stunts institutional development, survives through predation on productive processes in society, and compels the majority of the population to withdraw from the sphere of legitimate commerce and political activity.

The recent attention Russian elites and international financial institutions have directed toward building state capacity has made little progress in the Russian case; nor should this be expected given the current elite's philosophy of governance. According to First Deputy Prime Minister Anatolii Chubais,<sup>4</sup> "consolidation of power means establishing a tough dictatorship within the systems of state power . . . . To establish democracy in society requires a dictatorship within the state."<sup>5</sup> Parallel to this haunting echo of Leninist zeal has been an approach to budget reform that is a polar opposite of the vision encouraged by the World Bank in its 1997 *World Development Report*. While the Bank has urged the creation of transparent state institutions that provide, among other things, investment in basic social services and infrastructure, and a comprehensive social safety net, Yeltsin, Chubais, and Boris Nemtsov have lobbied for a 1997 budget that inflicts maximum damage on the Russian government's ability to pursue these objectives. Reformers retort that austerity is required to bring spending under control, following which



reform can proceed more smoothly. Yet even former Prime Minister Yegor Gaidar has criticized this approach as unrealistic. The main source of disorder in the economy, according to Gaidar, is the state "because it gives out promises and does not fulfill them."<sup>6</sup>

The much vaunted struggle between the Russian government and the economic monopolies also fails to buttress reformers' claims that they are building a rational legal state with limited powers. Gazprom has, to date, beaten back attempts to replace its leadership, while the government has succeeded in forcing change at the top of the Unified Electrical System. Despite these different outcomes, the government remains the major shareholder in both monopolies, leaving the impression that the political conflict is more a change of personnel than the ascendance of a new conception of state power. In contrast to the World Bank's position that governments cannot provide growth, the new Russian political elite appears firmly wedded to a different position; one in which the state remains a major property owner and plays a decisive role in economic planning. As Yurii Riazhskii recently lamented in *Moskovskii Komsomolets*, what kind of struggle between the authorities and the monopolies can there be when the largest monopolies are the authorities themselves?<sup>7</sup> State-building in Russia appears oriented toward institutionalizing pathologies rather than eliminating them.

Since comparative inquiry can lead at best to a partial comprehension of societal development, a later section focuses on distinctively Russian phenomena with the potential to impel post-Soviet society toward a far different future than a simple comparison with African experience would indicate. Post-Soviet Russia must yet come to grips with an unstable national identity, tied to the historical experience of being one of two central pivots of world politics. The legacy of global success can be a powerful catalyst for Russian behavior and distinguishes it from virtually every other non-Western country. The nature and global implications of Russia's positive development remain to be determined—important obstacles might still

undermine a restoration of great power status—but it will likely achieve this despite having embraced, for the second time in this century, a dysfunctional model of sociopolitical development. Russian ingenuity may yet lead society away from the stagnation that has befallen much of the African continent, but for how long this can be sustained, and whether any future transition will be as peaceful as the present, are questions as yet impossible to answer.

Western security also depends to a considerable extent on an accurate assessment of the future trajectory of the Russian state. In this respect, recognizing the imprint of the shadow state on Russia's development allows us to understand that successful "reform" is something quite different from Western hopes. Success in Russia is nothing less than the transformation of a "weak" state into a vehicle that can control a dynamic and aggressive capitalist system. Political elites will not shrink from using the state to suit their individual objectives, whether it be through the penetration of society or the subordination of constitutionalism and the rule of law to the exigencies of sovereign power. Regional and global cooperation with such a state will be a daunting challenge in the 21st century, for the corrupt state capitalism emerging in Russia has more in common with past imperial tradition than the civil society the West will nurture and defend in the next century. Perhaps more troubling, Russia's success on its present trajectory might make it a model to be emulated in other regions of the world. In Africa, as elsewhere, weak states struggling to cope with the growth of crime and corruption might view Russian success as an indicator they should do likewise.

### **Russia and Africa Compared: State Capacity, Feudalism, International Assistance.**

Some observers have begun the task of placing Russian affairs in a more nuanced perspective. David Remnick, for example, notes the important respects in which conditions in Russia are undeniably better than in the tsarist and communist past and is cautiously optimistic as to whether

radical change is possible in Russia. Even so, a better Russian future involves a painful (and presumably lengthy) transitional period, and a government that must "begin to fight corruption and work toward the creation of a legal order and a strengthened court system."<sup>8</sup> Michael McFaul, resting primarily on Russia's alleged success in developing electoral institutions in the past 2 years, also finds reason to praise what he characterizes as "transition without consolidation." Yet, McFaul remains concerned about the emergence of an "a-civil" society in Russia, the persistent failure of political parties to develop on Russian terrain, the continued dominance of a small oligarchic elite inhibiting the growth of the small business sector, and the overall weakness of state institutions.<sup>9</sup>

The problem, however, is that these preliminary forays into the post-Soviet future are either too timid or too charitable; for Russian politics and society have deviated fundamentally from Western and European norms and practices. Corruption and organized crime have graduated from being a baseline norm for describing conditions in contemporary Russia to its defining essence. The Russian Organized Crime Task Force at the Center for Strategic and International Studies has, for example, concluded that Russia is a "criminal syndicalist state," where gangsters, corrupt government officials and businessmen have become the most potent elements of society.<sup>10</sup> This, combined with elites' virtually unaccountable political power, has pushed Russia onto a developmental trajectory with greater resemblance to African, not West European, experience.

The growing similarity in physical description between African states and Russia further reinforces the parallel. William Reno describes—in terms strikingly similar to the Russia case—the tragic condition of African states possessed of remarkable natural abundance yet characterized by a "huge accumulation of riches by a few powerful men, a minuscule and shrinking formal economy, accelerating mass impoverishment . . . and the collapse of basic state institutions."<sup>11</sup> This differs little from the characterization provided by the *St. Petersburg Times*: "A select few in Russia

grow fabulously wealthy while the vast majority of the country grows poorer. This is a recipe for a U.S.-style Great Depression in which a surplus of goods no one can afford floods the country; or . . . a Mexico-style course of development."<sup>12</sup> Despite the Russian government officials' optimism of an economic turnaround in the wake of successful monetary stabilization and the defeat of inflation, the Russian GDP in June 1997 continued to shrink.<sup>13</sup> The Russian economy is nearing a mind-boggling decade of economic contraction, making Mexico's dilemma seem manageable by comparison.

Another area of convergence concerns the rapid collapse of state capacity. McFaul's claim that much of Russia's problems are attributable to low state capacity is correct, but comparison with the African case reveals the central riddle that has now appeared in Russia: despite the deplorable condition of its formal institutions, Russia has nevertheless accomplished some important goals, including turning over most state property to a select entrepreneurial elite, muzzling and directing the mass media, carrying out substantial vote fraud during the presidential elections, and enforcing a constitutional referendum that key Russian officials now admit did not receive sufficient voter turnout to stand as a legitimate result.<sup>14</sup> His characterization of the presidential elections as "relatively free and fair," but accompanied by falsification in Chechnya and Dagestan, Yeltsin's gross violation of campaign limits, the media's open propagation of Yeltsin, and numerous counting irregularities,<sup>15</sup> leaves one wondering precisely what institutional capacities were being developed: the ability to hold regular elections, or the capacity to determine their outcome?

Hence *formal* state capacity is low, but this void was filled by the Yeltsin political elite with a network of contacts that made survival possible. Survival, and not societal development, is the central objective for Russian elites; a fact that makes the post-communist period more nearly comparable to the African case. Unlike their communist predecessors, however, the "new Russian" elite have

realized that survival need not preclude reaping immense financial rewards from holding political power. Like their African counterparts, Russia's rulers have not hesitated to debauch formal institutions to develop their own alliances that relied as much on illegality and corruption as they did state power. Russia's privatization program is a case in point. Lauded initially as an heroic effort to put property in private hands, it is now infamous for its heavy reliance on corrupt procedures that favored a tight circle of Chubais intimates. It also failed dismally in its basic mission, as the state retains effective control, even ownership, over many productive assets.

Russia's rulers have been aided by the low priority accorded to societal development by international financial institutions. Where it was not an afterthought in macroeconomic policy, "democratization" was considered as the natural result of sound economic development.<sup>16</sup> The World Bank and International Monetary Fund (IMF) early on encouraged the adoption of "crisis management" strategies precisely because they permitted a narrow clique to circumvent institutional arrangements and constraints. Yet members of this initial clique have now become the essential pivots of an alternative political order that circumvents the formal one. Moreover, Russian elites quickly realized that a professed claim to act decisively would receive support from Western international financial institutions and permit them to avoid the responsibilities of building a normal state. Western agencies' marked preference for central rule also undermined parallel efforts to promote political decentralization, without which democratic development was unlikely. Ultimately, macroeconomic analysis was unable to grasp the logic underlying politics in Russia where, like Africa, "domination and control . . . arise from particular histories and are concerned with much more than simple control over the allocation of resources."<sup>17</sup>

Another key feature of the political transformation in Russia has been the decentralization of political power. As the initial threat of disintegration receded, many regional

authorities sought to minimize dependence on Moscow through development of autonomous economic policies and political institutions. Results have varied widely, but there is little question that central authority is presently weaker than it has ever been in contemporary Russia. A disturbing variable has emerged in this process, however, as Moscow elites are seeking to reclaim their influence in the regions. Instead of the formation of a genuine federal (or confederal) system on the base of the sham federation of the Soviet era, center-periphery relations have emerged as an unstable field in which political and personal agreements create a chaotic patchwork of relations between Moscow and its new boyars.

The deinstitutionalization of regional politics reflects most vividly that Russia is now more nearly a feudal system rather than a federal one. Federal systems require a constitutional framework, the rule of law and efficacious judicial institutions to function, yet, as Vladimir Shlapentokh has argued, present day Russia is characterized by the replacement of formal institutional roles in favor of personal ties, the privatization of much of the responsibilities of the public sphere, the profusion of private armies to safeguard the gains of individuals, and the growth of pervasive corruption.<sup>18</sup> Russian regional politicians, compelled to place their own political fates in conflict with the fate of their country, have attempted to secure their positions by maximizing the room for maneuver at the regional level. This assures both independence from Moscow as well as opening opportunities to the global market for regional economies. The haphazard nature of this process has created (or perhaps recreated) in Russia a new class of boyars whose survival rests either on resisting the depredations of Moscow, or reaching profitable bilateral agreements with the center. In the new feudal Russia, Shlapentokh's observation that Russian politicians "are so absorbed with achieving private goals that they . . . ignore the interests of their countries" resonates with the African experience in which Crawford Young identified the "pathology of state

decay', where rulers no longer place the struggle for societal improvement at the center of their *raison d'être*."<sup>19</sup>

The feudal nature of Russian regional politics has important implications for the future composition and stability of the political system. First, the heterogeneity characteristic of relations within feudal systems indicates that arrangements based on comprehensive principles—such as those found in constitutional systems—are secondary to the multifarious personal linkages and agreements between central and regional elites. Center-periphery relations in Russia are highly unbalanced and fluid, changing in response to changes in the relative power of contesting elites. If long-term stability is achieved under these circumstances, it will produce a society marked by profound socioeconomic differences between individual regions, reflecting the various political fortunes of regional elites.

Second, the nature of feudal relations within Russia will be sustained, in part, by a natural conflict between regional demands to sustain productivity and central elites' desire to enforce macroeconomic policy and create conditions which permit them to siphon off profitable regional industries. As Mikhail Prussak, Governor of Novgorod oblast and Chairman of the Foreign Affairs Committee of the Federation Council of the Russian Parliament, explained, his mission as governor was to preserve existing productive capacity in the oblast until investment materialized that could exploit it profitably. Prussak reasoned that the transformation of existing capacity to new uses involved less economic hardship and political instability than starting from scratch.<sup>20</sup> This puts him on a clear collision course with central economic policymakers whose reforms have ignored the needs of producers in favor of fiscal and budgetary measures. Here again, the economic map of Russia will reflect the differential political skills of regional leaders and the accommodations they reach with Moscow's centralizing elites.

Finally, feudal politics, African societies, and contemporary Russia all exhibit a shocking prevalence of

corruption and associated violent practices. Corruption is a central problem in Russia, yet the cohabitation of state power with government corruption will prevent it from being confronted honestly by new elites. The fusion of government and criminal activities is no stranger to sub-Saharan Africa, though the parallel development of organized crime perhaps has placed Russia in the lead in this category. As Giulietto Chiesa observed, in Russia the question is not whether individuals are engaged in corruption, but to what degree.<sup>21</sup> Organized crime maintains its deep penetration of Russian state and society and, according to one estimate, generated more than U.S. \$900 million in revenues in 1996.<sup>22</sup> In fact, the requirements of survival within the shadow state necessitate a heavy reliance on corrupt practices to circumvent institutions that—rightly or wrongly—obstruct elite objectives. The purported importance of corrupt practices for reform—often tolerated by Western assistance providers—undermine governmental and social institutions and provide the indigenous mafia with easy access to officials.

### **The Shadow State and Russian Politics.**

Parallels between Russian and African politics all revolve around the “weak” state, the existence of which has now been acknowledged by many observers of Russia.<sup>23</sup> Unfortunately, the subsequent calls for strengthening state capacity direct attention away from the central issues of the post-reform era. Chief among these is the need to explain the apparent paradox of power in Russia and Africa: If the state has undergone institutional collapse, what accounts for its continued existence? How has it been possible for a Russian “hobbled Leviathan” to push through, among other things, the most painful and massive transfer of property and resources from public to private ownership in history? If the state is indeed so weak, what explains the defensive posture of Russia’s energy and electricity monopolies as they do battle with members of the government? How do we understand a state that retains substantial ownership of and control over mammoth producers such as Gazprom,



Lukoil, the Unified Electrical System, and others, even as it seeks to replace their directorships?<sup>24</sup> This interpenetration among Russian state, economy, and society suggests far greater complexity of political relations than can be revealed merely by focusing on formal institutions.

Russian state decay certainly exists, but this is only part of the larger post-Soviet picture. The core of Russian state power which has sustained itself is a fusion of traditional Russian political practices with the economic dynamism unleashed following the first stages of reform. Thomas Graham has accurately described the clan nature of Russian politics,<sup>25</sup> an aspect of political life with historic roots in the Soviet and tsarist eras. In an atmosphere of conflict among competing clans, the logic of political survival dictated an accommodation among old elites, the incorporation of new economic elites spawned by reform, and the marginalization of political mavericks that risked upsetting the apple cart.

President Yeltsin has proved masterful at maneuvering within this context, neutralizing the ambitions of Alexander Lebed and Gennady Zyuganov, while forging an uneasy coalition of elites from the "reformers" (First Deputy Prime Minister Chubais), regional chieftains (First Deputy Prime Minister Boris Nemtsov), and the old nomenklatura (Prime Minister Viktor Chernomyrdin). Russia's clans of the political elite have succeeded in reaching an accommodation leading to the creation of the "shadow state," described by Reno in the African setting: new and old nomenklatura cooperate to accumulate wealth, control diverse avenues of legitimate and illicit exchange, and exercise considerable political authority due to the collapse of the formal state's capacities.<sup>26</sup> Communist-era political elites have used the reform process to create a new class of wealthy bankers and entrepreneurs closely linked to state power. Many of these, such as Boris Berezovsky and Vladimir Gusinsky, have incorporated the elements of the old Soviet KGB into their structures. The old coexists with the new in an interconnected web of influence and affiliation among elites straddling all the vital boundaries of the modern

state—public and private, legal and criminal, personal and official—to create a working equivalent of state institutions.

It is this shadow state in Russia that frames the political context within which questions of Russia's socioeconomic development, national identity and global role will be answered. In the process, elites will arrogate to themselves the right to determine whether, when and at what pace formal state institutions might be allowed to survive. Consequently, what Western observers have concluded is a muddling down (or "muddling through" for those optimistically inclined) of reform era Russia is actually the emergence of a new accommodation among political elites as they seek broad and pervasive control over the wealth-creating sectors unleashed in the wake of reform.

*The Core of the Shadow State.* Many state institutions have collapsed, and the vacuum has been filled by a constellation of government and "new" commercial elites whose existence rests upon a denial of the fundamental institutions and practices of the rational-legal state. The epitome of this was reached in Russia with the consolidation of power in Moscow by a narrow array of politicians and bankers overseeing the so-called "court banks." As Yeltsin languished between life and death, politically in 1995-1996, then physically in 1996-1997, wealthy "new Russians" such as Boris Berezovsky (Avtovaz), Vladimir Gusinsky (MOST Bank), Vladimir Potanin (Uneximbank), Peter Aven and Mikhail Friedman (Alpha Bank), Mikhail Khodorkovsky (Bank Menatep), Aleksandr Smolensky (Stolichny Bank), and others established a financial oligarchy and moved into government posts.<sup>27</sup> These in turn were the key financial supporters of Anatolii Chubais, who has now become (institutional position notwithstanding) the second most powerful individual in Russia. The subsequent departure of many in this clique from their formal posts has done little to diminish their influence, as institutional position within the shadow state does not reflect political standing within the elite.

As is the case in African societies, the shadow state is set in motion by a single dominant leader, whose chief task is to

define and enforce the rules of elite engagement which balance rivalries among competing clans. Hence, the "reformist" clan-headed by Chubais, his acolytes and benefactors—is offset by the presence of other clans among the dominant coalition: Prime Minister Viktor Chernomyrdin and the "red" directors branching out into the productive economy, and National Security Advisor Ivan Rybkin establishing an avenue for negotiations with the communists. Surrounding this core is a constellation of personalities, each of which is building resources and waiting for the opportunities that a fractured or weakened coalition might present: Yuri Luzhkov, Mayor of Moscow; former national security advisor Aleksandr Lebed; and Vladimir Zhirinovskiy, member of parliament and head of the Liberal Democratic Party of Russia.

Conflict within the core of the shadow state transpires at several levels: one involving efforts to displace the dominant leader which, as the case of Seke Sese Mobutu in Zaire reflects, are periods of maximal systemic instability, often involving widespread violence and unrest. A parallel development in Russia would be the splintering of the Chubais clan. Alternatively, an event or crisis within Russia might occur that proves a convenient lever for either Luzhkov, Lebed, or Zhirinovskiy to exploit. A qualitatively different form of elite conflict is that which occurs among the clans comprising the ruling elite. Here, Yeltsin as *primus inter pares* balances the conflicting ambitions and agendas of his subordinates. This conduces a kind of internal lethargy in which the zeal for political victory is blunted by the blandishments of power. Consequently, Russia as a shadow state will present an external image of political turbulence, but, if conflict does not involve a challenge to the dominant leader, the system will retain considerable internal stability. Equally important, policies that appear supportive of a "reform" agenda will be pursued largely for their contribution to enhancing political elites' prospects for survival, rather than any commitment to societal development.

Efforts to develop the rule of law and a professional civil service will be resisted as they impose institutional and legal restraints that limit elite maneuverability. In Russia's case, a broader corruption of society was as essential to elite survival as it was to the reform agenda. In his earlier incarnation as head of the State Committee on Property (GKI), for example, Chubais used foreign assistance funds to construct Russia's massive privatization program. Russian Privatization Centers (RPCs) were created to implement the program, yet the RPCs needed to recruit personnel. A ready pool of labor was found among Chubais acolytes within the Russian civil service, who were secretly paid for their consulting work on privatization projects. Such consulting is unacceptable under any conception of a neutral public service, yet Chubais could count on finding many recruits, given the low wages paid to civil servants. Privatization thus triumphed in Russia only by annihilating the possibility of a genuine civil service.<sup>28</sup> For good measure, the Parliament's efforts to pass civil service legislation—which would have made such activity illegal—were foiled by the resistance of the executive.

*The Predatory State.* A second prominent feature of the shadow state is a predatory elite-society relationship in which a congeries of elites scavenges off the productive elements of society with little or no regard for the rule of law. Productivity that emerges outside of central control is either quickly coopted or taxed, or retreats still further—often into the illegal economy—to preserve its autonomy. This has had a particularly damaging effect on foreign investment, as Western investors confront legal conditions that turn against their advantage almost as soon as their ventures develop some promise. The arbitrary nature with which tax laws were interpreted and enforced, for example, so frustrated General Electric that it elected to close its Moscow subsidiary.<sup>29</sup> Similarly, Australia's Star Mining recently learned that its purchase of part of Lenzoloto, a small gold mining business, was invalidated because it purportedly violated privatization rules. The problem, as noted by *The Financial Times*, is that "the laws are so vague, the bulk of the Russian stock market could easily be deemed

to have breached these rules."<sup>30</sup> Trans-World Metals, a London-based metals company that has acquired a substantial portion of the Russian aluminum industry, has also been caught in the maelstrom of elite conflict. Trans-World's sin, apparently, was to acquire its investments under the patronage of former Kremlin security chief Alexander Korzhakov and former First Deputy Prime Minister Oleg Soskovets. Once both of these men were fired by Yeltsin, and the aluminum industry came under suspicion of supporting Lebed, Trans World became an easy target for state agencies controlled by Chubais and Chernomyrdin. Not surprisingly, local Russian officials soon nullified its stake in at least one major smelter.<sup>31</sup>

Domestic actors are also fair game for the predatory state. Moscow Mayor Yuri Luzhkov recently succeeded in using a modest municipal payroll tax on Moscow residents to generate a road fund of approximately \$645 million. Yet the federal parliament has entered the picture and passed a law requiring that at least half this amount must be spent on the national road system. Parliament, evidently with executive support, effectively stripped the mayor of control over part of the municipal budget.<sup>32</sup> Similarly, the central government has been assiduously diverting tax revenues for its own unspecified purposes. According to *Argumenti i Fakti*, the Accounting Chamber of the Russian Federation discovered that, while the government collected all taxes due for 1995, it paid out only two-thirds of the budget funds earmarked for "social spending, including salaries and pensions." The government also overspent by a factor of four on grants to private companies, and created a separate fund—in excess of \$600 million—out of "temporarily free monetary funds." Not surprisingly, the Accounting Chamber also determined that "budgetary payments are not made according to the law, but by uncoordinated instructions, decrees, letters, and telegrams."<sup>33</sup>

*Creating the Commerical Class.* A third distinguishing feature of the shadow state is the negligible to nonexistent emphasis placed on maintaining distinctions between the public sphere and private sphere, and monitoring the limit

of state intrusion into social processes and institutions. By contrast, the Russian state and economy are largely a product of the corrupt fusion between these sectors as state elites and wealthy entrepreneurs function at a level beyond the reach of the rule of law. Relations between these elites are of necessity intimate for, as Olga Kryshtanovskaya has noted, the "reformist" state elites played a crucial role in determining the specific content and character of the private banking and entrepreneurial strata in capitalist Russia.<sup>34</sup> Indeed, a key weakness of the first stage of Russia's mass privatization was that it provided preferential access to the privatization process to "red directors" and rapidly growing banks—both of which have become key elements of the current political elite. Even this injustice is modified by arbitrary exception: Yeltsin's decision to give Mayor Yuri Luzhkov sole control over privatization in Moscow. By doling out the richest real estate prize to Luzhkov—in blatant contradiction to reform policy—Yeltsin effectively cemented the mayor's political and economic independence within the highest levels of the elite. In return, Luzhkov has supported Yeltsin at every critical juncture to date, despite persistent rumors of his own presidential ambitions.

The next stage of elite-creation transpired with the second—more controversial—phase of the privatization program. The "loans-for-shares" scheme developed by Chubais allowed for a select group of Russian banks to take over or become major shareholders in some of the most valuable real estate of the Russian government. In return, these banks were supposed to provide loans to the Russian government, making available much needed financing for the budget. The controversies surrounding such an arrangement were several: first, membership in the select group of "licensed" banks had no competitive or meritorious basis. Winning bankers were, not surprisingly, intimates of the Chubais clan.<sup>35</sup> Second, shares in the auctioned enterprises were sold at huge discounts, allowing the "court banks" to later sell these same assets and reap windfall profits. Norilsk Nickel, for example, was valued at approximately U.S.\$20 billion, yet 38 percent of the

enterprise's shares were auctioned off for a mere U.S.\$170 million to Oneximbank, whose director, Vladimir Potanin, subsequently became First Deputy Prime Minister of the Russian government.<sup>36</sup>

There is still more to this story, however. According to the Accounting Chamber of the Russian Federation, shortly before the "loans for shares auctions, the government credited the banks that would win tenders an amount equal to the cash those same banks . . . hand[ed] over to the government for shares."<sup>37</sup> The method of privatizing Russia's largest enterprises was best summed up by *The St. Petersburg Times*: "Much like the Stalin-era show trials, the 'auctions' for these industrial giants were rigged—the government deputized a bank to organize each auction; that same bank put in a bid of its own, disqualified its opponents and 'won'."<sup>38</sup> In one bold stroke, the Russian "reform" government transferred most of the country's richest assets at a loss and created and consolidated the new capitalist class that received this largesse.

Such support naturally works in both directions: while reformers among the political elite aided in picking the capitalist winners, the latter returned the favor by providing crucial support in times of crisis. The new economic elite played a critical role in the successful reelection of President Yeltsin. Berezovsky has described the financial and organizational support the "group of seven" bankers provided Yeltsin, even claiming as their initiative the appointment of Chubais as presidential chief of staff.<sup>39</sup> This is complemented by their control of the mass media, which is either owned or controlled by the likes of Berezovsky, Gusinsky, Gazprom, and other members of the new financial oligarchy. Lukoil and Uneximbank, for example, *Izvestiya's* two largest stockholders, recently ousted Igor Golembiovsky from his position as President of Russia's leading daily newspaper for publishing a piece detailing Chubais' use of foreign assistance funds to secure for himself an interest-free loan of \$3 million. Even though Chubais claimed he did nothing illegal, Golembiovsky's

exercise of freedom of the press caused his corporate benefactors to rein him in.<sup>40</sup>

In sum, the genesis and patterns of interaction between political and economic elites closely resembles the African case as described by Jean Francois Bayart:

In Africa, the state *is* the prime (though not the only) channel of accumulation . . . Even the successful businessmen in the informal sector are highly dependent on the state because they need constantly to circumvent regulations and obtain official permits. It is, therefore, otiose to seek to establish a conceptual difference between the private and public sectors. Both are instruments of a dominant class striving to establish its hegemony.<sup>41</sup>

*The Autonomy of Political Power.* A fourth aspect of the shadow state is the extent to which power at the elite level has been delinked from societal pressures. The absence of institutional or legal constraints allows political actors to shape and reshape political alliances as the capacities of state and economy shift. This, and not some presumed titanic conflict between "reformers" and "conservatives" in the Kremlin, accounts for the unsystematic nature of reform, as well as the elites' limited commitment to the goals of reform. Hence, the media could easily be muzzled in an electoral contest, just as it subsequently sought every opportunity to portray Alexander Lebed in an unfavorable light.

Alternatively, repeated efforts to reform the state will succeed only to the extent that the individuals presently in power in Moscow view institution-building as a profitable activity. "Strengthening the state," the current clarion call of virtually all Western supporters of reform, will proceed erratically and remain subject to reversal should political expediency require it. The predatory character of state activity regarding foreign investment and local government is instructive in this regard. Similarly, Chubais' vision of a dictatorship within the state does not augur well for democratic institutional development.



The Russian government's renewed drive to enforce bankruptcy proceedings might be taken by some as a sign that Russia is trying, at last, to bend an ungovernable society in the direction of fiscally responsible policy. The recent success in compelling Gazprom to pay a substantial portion of its tax arrears could also indicate progress in this direction. But *The Financial Times* remains unconvinced, concluding, in consonance with the present analysis, that recent events only harden the impression "that Gazprom is driven by the diktats of influential rival political-financial 'clans' rather than the interests of its shareholders."<sup>42</sup> Similarly, Yeltsin's unilateral action in transferring controlling shareholding in the Moskvich car plant reflects a persistent willingness to undermine sound economic policy by political favor. The plant now falls under the jurisdiction of Mayor Luzhkov and is exempt from bankruptcy proceedings.<sup>43</sup> That Luzhkov simply is too powerful to tackle is belied by the parliament's subsequent action in depriving Moscow of most of its municipal road fund. Yeltsin's action is consistent, however, with the explanation that granting Moskvich an exemption was useful in mollifying challengers to the existing elite coalition.

*Societal Withdrawal and Economic Decline.* Fifth, Russia reflects the excessive depression of economic productivity and societal withdrawal characteristic of many African societies that is part of the "pathology of state decay."<sup>44</sup> International financial institutions (the International Monetary Fund and, to a lesser extent, The World Bank) and Western states are right to encourage the Russian government to pursue a sound financial policy and macroeconomic stabilization. Unfortunately, the one-sided manner in which this policy was pursued—at the expense of virtually all productive plants in the country—has simultaneously destroyed substantial valuable assets and engendered a population deeply suspicious of Western, especially American, foreign "assistance."

Parallel to this has been the pervasive withdrawal of Russian society from politics. The famed political quiescence of the Russian public—its unwillingness to

participate in mass strikes and other forms of social unrest—is seized upon eagerly by Western politicians as evidence that things are “on track” in Russia, despite the difficulties. This might indeed appear to be the case, as widespread wage nonpayment, shortages in some regions, and a steep drop in the purchasing power of the ruble have failed to catalyze social unrest. But from the African perspective, societal withdrawal emerges as the more plausible explanation. Why should ordinary Russians take their demands to a government that evinces no interest in remedying its ills? This resonates deeply in Russian history, where articulating one’s grievances inevitably brought still worse conditions. The logical response is to amass as much wealth as possible without drawing the attention of the tax police or the local mafia, or both. Sequestering resources from a predatory state, whether food or money, is a common feature of developing societies and conforms well with Russian/Soviet experience. Reform-era Russia continues in this tradition as reflected by the amount of personal income that goes unreported: average household incomes are approximately U.S.\$205-220 per month, well above the official figure of U.S.\$120-130. Such behavior is reinforced by the widespread perception that police, security services and most other government agencies are corrupt.<sup>45</sup>

Withdrawal has its analog among regional authorities who are as aware of the center’s acquisitive tendency and depressive macroeconomic policies, as they are the need to sustain local productivity. Regions therefore have strong incentives either to mask productive enterprises, or reach an accommodation with central elites in advance. Their differential abilities to pursue either course will further fuel the development of feudal relations.

In sum, the current Russian “non-state” resembles in important respects the shadow state characteristic of African societies. This entity emerges despite (and perhaps because of) formal institutional decay with the objective of sustaining a particular elite in power rather than producing a rational-legal framework devoted to societal transformation. This explains the apparent paradox of

Russia's simultaneous "weakness" while possessing remarkable political strength in selected areas. The primacy of clan politics Russian-style over legal and social institutions also indicates that further reform will be a function of elite self-interest, rather than any sense of commitment to societal development.

In addition, the African comparison reveals that Russia's longer term political development will defy any easy characterization as "black," "brown," or "red." Pessimists and optimists alike are bound to be disappointed as Russia will neither disintegrate, nor will it develop a harmonious fusion of civilized capitalism and democracy. Instead, Russia is headed for an etatist future, refracted through the flawed prism of the contemporary state. Capitalism, albeit excessively state-centered, has replaced the communist regime and ruling elites will intermittently tolerate greater freedom of expression while retaining control of the media. Sudden and abrupt changes within the ruling coalition will hold institutional development hostage and project an external image of political turbulence, even as the political system retains surprising stability. Constitutionalism and rule of law will remain lower order priorities for an elite that needs to resort to violence, coercion and extra-legal measures to ensure its survival.

The only unaddressed issue concerns the impact of Russia's shadow state on its international ambitions. Viewed externally, "weak" states of the Russian type are little more than "quasi-states" as described by Jackson. Unlike African societies, however, Russia has a long history as European and global empire. The allure of past glory and the humiliation of present weakness will inevitably be addressed by the ruling elite. Powerful internal factors suggest such a situation cannot long endure, a consideration with profound international implications: the Russian military, presently one of the most debauched institutions, must eventually be made into an effective instrument of state policy.<sup>46</sup>

These considerations bring us to the limits of a reasonable comparison between Russia and post-colonial

Africa. Imperial collapse and the influence of the outside world have helped shape a style of politics and distorted institutional context similar to Africa's. But historic Russian ambitions and a far more favorable resource base possess the potential to impel Russia in a direction different from the seemingly ineradicable malaise that has settled into sub-Saharan Africa. It is precisely the prospect of Russia's success where other weak states have failed that makes it imperative to comprehend accurately the dynamics of the shadow state.

### **Russian and African Divergence— Imperial Legacy and National Identity.**

Defenders of the uniqueness of Russian experience will doubtless take issue with the present comparison on the grounds that resorting to African experience to explain the phenomenon of Russia's paradoxically "weak" state does violence to the role of cultural variables. They may also point to instances where post-Soviet developments seemingly can be explained within the framework of Russian historical experience. The focus of this analysis, however, was not to show the irrelevance of idiosyncratic factors, but to demonstrate that the syndrome of the shadow state is a pathology of politics that exists within a broad spectrum of societies. Indeed, it is quite likely that Russian historical experience has provided the appropriate sociocultural substratum which, when combined with reform policies, produced the shadow state. Perhaps most significant, the possibility that deformed or dysfunctional state structures can successfully institutionalize a conception of political power substantially different from Western standards is an important realization, especially if one such society is an historic rival of the West. As David Brown has argued with data drawn from Liberia, "viable bureaucracies may be sustained by elaborate rule structures which bear little relationship to the Weberian ideal-type. Such rule structures need not necessarily be fully transparent to their publics and practitioners, though they may nevertheless have considerable power to order the

social world."<sup>47</sup> Russia's emergent shadow state comfortably conforms to this assessment.

Several unique attributes of Russian social and historical experience *will* unquestionably influence political development. First, Russia (and the Soviet Union before it) possesses extensive experience in the global competition for power. In this century (as well as the next) global power projection has become a key aspect of the state system. Jackson notes that, with few exceptions, states are either penetrated by others or themselves became the object of territorial aggrandizement.<sup>48</sup> Russia has vivid memories of both and its ruling elites would find it intolerable to again be at the mercy of the state system. The present dictates of the IMF already grate against its sensibilities and Russia has the potential to be far less patient with the constraints imposed by international assistance than many other societies.

The globalization of capital and investment flows has compounded the predicament of quasi-states as economic processes compromise sovereignty without resort to territorial expansion. While much of the rest of the world has grappled with this reality for several decades, Russia remained insulated behind the walls of communism. To the loss of imperial territory and status in 1991 came a second shock to the Russian psyche: economic progress required a loss of control over domestic life. The travails of economic reform for the ruling elite are thus little more than a prelude to the larger need to organize societal forces to restore to Russia the full sovereignty of a nation-state. Ironically, the requirements of competition in the state system appear as the only factors capable of persuading Russian elites to take their societal obligations seriously—even if only in an instrumental sense. Absent a major shock to the system—the death of Yeltsin, mass social unrest, or clan warfare—global rivalry will eventually compel Russia's rulers to focus on raising productivity and restoring the institutions (i.e., the military) that can return Russia to the concert of Great Powers.

A second factor with a distinctly unique impact on Russia concerns still unresolved questions of national identity. Where African societies can at least point to the colonial metropole as the architect of their despair, Russia lies at the heart of a multinational empire that denied the existence of nations. Recent imperial memory lingers in the Russian consciousness, interacting with memories of power lost. These myths of empire are powerful; so powerful that, as Frederick Starr notes, they are capable of penetrating Western scholarly discourse.<sup>49</sup> To the extent that the Soviet mythic legacy continues to dominate Russian thinking, elites will find fertile soil in the public mood for building a Russian state which matches the contours of the communist era. Even if not expansionist in content, such a conception retains the close link between identity and state power. National self-definition, most likely with prodding from state elites, will reinforce the sentiments arising from the loss of sovereignty and control in the state system. Permeating all of these issues is the central tension between empire and multiethnic polity, which recent experience reveals ends either in conflict or disintegration.

Russia's decentralization will also be an important factor shaping political development. In keeping with its feudal nature, the capabilities of regional leaders will vary, and some will succeed in creating stable, effective regional governments to attract foreign capital. The combination of regional resources combined with reliable access to global markets is a potent antidote to the encroachment of central authority. Russia's political and economic development in the next century will be unbalanced as successful regions will coexist with failures, always leaving center-periphery relations open to the temptation of abuse at the hands of central elites. Nevertheless, successful regional leaders will become increasingly skillful at either dodging the dictates of Moscow, or offering flattering entrees to central power that make accommodations possible. The danger remains that this may not come to pass, principally because Moscow has always preferred political control to economic performance, if the latter brings with it a loosening of the imperial restraints. The IMF's view that regionalization is an

impediment to macroeconomic policy is also likely to further embolden central elites contemplating a restoration of Moscow's hegemony. Regional policy can therefore move in either of two diametrically opposed directions: towards the embrace of provincial autonomy and the creation of an infrastructure that can exploit its benefits, or toward a revanche of the center and greater acrimony and conflict in center-periphery relations.

Finally, Russia possesses a human and natural resource base that defies comparison with the African continent. Even with its environment and population threatened, the enormous investment in education and training in the natural sciences by the Soviet regime has left a skilled workforce that can be harnessed quickly. Unlike post-colonial societies which tend to bristle with economists and political scientists, Russia can marshal trained engineers, physicists, chemists, and other professions essential to catalyzing a post-Soviet economic transition.

If all of these factors moved in a positive direction, their cumulative impact would be to create a dynamic environment that pressed the Russian political elite to reverse the current pattern and restore the link between politics and societal development. One might be tempted to conclude that a kind of self-perfection process is at work, whereby a Russian state is gradually constructed resembling Western experience. A self-interested elite may not wish it, so this logic goes, but the exigencies of the global role it hopes to restore compel state and economy to function more effectively.

Is such a "gradualist" thesis that holds out the promise of Russia being made modern piecemeal too optimistic? Probably so; for, as Jackson has pointed out, "even in corrupt societies' governments can set standards of probity and try to enforce them."<sup>50</sup> Hence, even if Russia were to develop a more efficient economy and a modestly responsive political system, it will carry with it the historical imprint of the shadow state: the state will preserve its predatory proclivities and the elements of a democratic polity and civil society will be tolerated only to the extent they do not

infringe upon the imperatives of elite political survival. Favorable conditions can also be undone by the tragic proclivity of Russia to fall victim to ideologues. Communist rulers evinced little concern as they savaged their own society and jeopardized its future for the sake of a doctrine from which only a few stood to benefit. Sadly, Russia's new reformers appear to have emulated their communist predecessors in this respect. Most disturbing, however, is that Russia can avoid this fate and head in a more constructive direction principally by basing a vision of the future on its legacy as a global power. Successful reform will bring with it a more contentious international environment.

\* \* \* \* \*

In musing on the Russian future, Remnick sees no reason why Russia cannot overcome its absolutist past much in the same way that Germany and Japan did during this century. There is considerable truth to this, as Russia today has opened doors of opportunity that previously never existed. Yet comparison with German experience can be deceptive. Weimar Germany struggled with threats to security and stability following military defeat and economic collapse, only to conclude that regime survival lay in permitting rulers to operate above the legal order. Such comparisons are less instructive than the African case because they are insufficiently attentive to fundamental differences between post-war German and Japanese development and post-Cold War Russia. The path of the former never entailed the moral degradation and wholesale criminalization that has been a distinguishing feature of reform-era Russia. German and Japanese cultures and political institutions, moreover, recognize the autonomy of society and economy, even as their state traditions permit these spheres to be shaped and molded. European states have developed carefully calibrated institutional mechanisms for the deployment of state power in pursuit of socioeconomic development. In Russia the exercise of power remains a much cruder affair.



The unique factors affecting Russian elites suggest that the opportunity exists to modify the African shadow state to produce a substantial measure of economic stability. The price for success within this framework will be high, as Russia will retain its authoritarian character and state tradition. The associated criminality, violence, and excessive concentration of power that envelope such a state will confound hopes for a democratic breakthrough and sap the productive potential of society. More disturbing from the Western standpoint, however, will be the subordination of constitutionalism and civil society to the dictates of elite politics. The charitable explanation is that political elites, unwilling to believe that their subjects or their rivals will be constitutionalists, feel obliged to be authoritarian. Whatever the reason, present reform policies open the opportunity for Russia's return to the community of great powers; but the deformations of state power that reform has institutionalized carry the unsettling promise that the next century will be one of challenge for the West in its relations with Russia.

## ENDNOTES

1. See, for example, Richard Pipes, "Russia's Past, Russia's Future," *Commentary*, No. 101, June 1996, pp. 30-38; or Daniel Yergin and Thane Gustafson, *Russia 2010 and What It Means for the World*, New York, NY: Random House, 1993.

2. Robert H. Jackson, *Quasi-States: Sovereignty, International Relations, and the Third World*, Cambridge: Cambridge University Press, 1990, p. 21.

3. This term is taken from the work of William Reno, *Corruption and State Politics in Sierra Leone*, Cambridge: Cambridge University Press, 1995.

4. That Chubais is simultaneously Minister of Finance also reflects Russia's focus on political power at the expense of administrative capacity: while policy effectiveness rests on increasing bureaucratic specialization and subdivision of administrative authority, Russia's new elites resemble their predecessors in concentrating bureaucratic resources around themselves.

5. Marshall Ingwerson, "Running Russia," *The Christian Science Monitor*, <http://www.csmonitor.com>, November 1, 1996, International, p. 1.

6. *The New York Times*, May 22, 1997, pp. 1, 6.

7. *Moskovskii Komsomolets*, May 23, 1997.

8. See his *Resurrection: The Struggle for A New Russia*, New York: Random House, 1997, pp. 355-367, especially p. 362.

9. See "Transition without Consolidation," *Freedom Review* 28, 1997, No. 1, pp. 30-49.

10. Frank Cilluffo and Robert Johnston, "Russian Organized Crime: Problem Won't Go Away," *Financial Post*, Canada, June 21, 1997.

11. Reno, p. 9.

12. "If a Handful of Banks Hold All the Money, Why Should the Government Be Happy?", *The St. Petersburg Times*, June 9-15, 1997, <http://www.spb.su/times/current/edit9.html>.

13. *The Financial Times*, July 17, 1997, p. 2.

14. Stephen White confirmed that officials in the Russian Central Electoral Commission have now accepted that the turnout for the constitutional referendum was below the required 50 percent. According to White, confirming this is impossible as the ballots have been destroyed. Kennan Institute Seminar, April 1, 1997.

15. McFaul, pp. 30-31.

16. Anders Aslund reflects this overly simplistic understanding of the requirements of political change in Russia. His view that radical economic reforms should have been checked by democratic controls and public education programs naively assumes the task of political transformation to be merely the mechanistic application of reforms onto a receptive society. In practice, however, deeply rooted cultural factors have either absorbed or defeated any limited efforts at political reform. "Achievements and Failures of Reform," Kennan Institute Newsletter, The Woodrow Wilson International Center for Scholars, Vol. 14, No. 13, 1997.

17. Achille Mbembe, "Pouvoir, violence et accumulation," *Politique Africaine*, Vol. 39, 1990, p. 24, as cited in Reno, p. 12.

18. Vladimir Shlapentokh, "Early Feudalism--The Best Parallel for Contemporary Russia," *Europe-Asia Studies*, Vol. 48, No. 3, 1996, pp. 393-411.

19. Shlapentokh, p. 395; Young, as cited in Reno, p. 17. A more detailed analysis of the relevance of the feudal model to African conditions can be found in Joshua Forrest, "Asynchronic Comparisons: Weak States in Post-Colonial Africa and Medieval Europe," *Comparing Nations: Concepts, Strategies, Substance*, Mattei Dogan and Ali Kazancigil, eds., Oxford: Blackwell, 1994.

20. Conversation with author, March 13, 1997.

21. Comments made during a Woodrow Wilson Center Colloquium on corruption, September 26, 1996. Shlapentokh, p. 401, also notes that "by 1995, most active people in the country were in practice linked directly or indirectly . . . either with corrupt officials or with a criminal organization." Another more recent example detailing the pervasiveness of Russian organized crime can be found in David Hoffmann, "Banditry Threatens the New Russia," *The Washington Post*, May 12, 1997, pp. A1, 15.

22. *The Financial Times*, April 14, 1997, p. 3.

23. Ironically, many of those calling for strengthening the state had earlier been leading proponents of its destruction.

24. Gazprom, the most prominent target of a recent government offensive against monopolies, recently succeeded in resisting efforts to replace its director, Rem Viakhirev. *The Financial Times*, June 30, 1997, p. 1.

25. *Nezavisimaya gazeta*, November 26, 1995.

26. Reno, p. 17.

27. *The Financial Times*, November 1, 1996, p. 15.

28. This account of the civil service was provided to the author by Yurt Boldyrev, Deputy Chairman of the Accounting Chamber of the Russian Federation, December 14, 1996. More on the role of RPCs in the privatization program can be found in Janine Wedel, "Clique-Run Organizations and U.S. Economic Aid: An Institutional Analysis," *Demokratizatsiya*, Vol. 4, No. 4, Fall 1996, pp. 571-602.

29. *Financial Times*, March 20, 1997, p. 3.

30. *Financial Times*, April 10, 1997, p. 12.

31. *The Independent*, March 15, 1997; as cited in "Johnson's List." An even more blatant expropriation of Western interests occurred last autumn when the Russian government terminated the work of NM Rothschild in developing a U.S.\$1 billion telecommunications share offer. The government turned it over to MOST Bank and Alfa Bank, both of which are members of the charmed "group of seven." *The Financial Times*, November 26, 1996, p. 1.

32. *Financial Times*, April 8, 1997, p. 2; see also *Moskovskii Komsomolets*, May 23, 1997.

33. "Yeltsin Seeks Control of Cash," *The St. Petersburg Times*, April 7-13, 1997, <http://www.spb.su/times/current/yeltsin-seeks.html>.

34. "The New Russian Business Elites," Kennan Institute Seminar, April 2, 1996.

35. Equally important, their short-term interest in defeating the Communist Party in the upcoming elections was shared by several other influential clans within the Yeltsin government. This common immediate objective did not preclude a falling out in the future, which has in fact taken place.

36. Details on the Norilsk Nickel transaction and others is taken from an interview with Yuri Boldyrev, Vice Chairman of the Accounting Chamber, *Novaia ezhednevnaia gazeta*, October 28, 1996, pp. 1, 5. Potanin is a member of the so-called "group of seven" who resigned his post as director of Oneximbank to take his position in the government. He was recently removed from this post, but the loss of formal position does diminish his influence within the government.

37. "Weak in the Knees Over Chubais," *The St. Petersburg Times*, March 24-30, 1997, <http://www.spb.su/times/current/party-lines.html>. Chubais has apparently also admitted that the auctions were a "mistake" from an "ethical point of view." No one, however, is urging that things be set right.

38. *The St. Petersburg Times*, June 9-15, 1997, <http://www.spb.su/-times/current/edit9.html>.

39. *The Financial Times*, November 1, 1996, p. 15.

40. The story is detailed in "Kreditui ili proigraesh!," *Izvestiya*, July 1, 1997; and " 'Citizen Kane' on Pushkin Square," *The Washington Post*, July 13, 1997, p. A20. Chubais' response to the *Izvestiya* piece appeared in *Izvestiya*, July 7, 1997.

41. "Civil Society in Africa," Patrick Chabal, ed. *Political Domination in Africa*, Cambridge: Cambridge University Press, 1986, pp. 115-116, as cited in Reno, p. 16.

42. "The Lex Column," June 30, 1997, p. 18.

43. *The Financial Times*, April 3, 1997, p. 2.

44. M. Crawford Young and Thomas Turner, *The Rise and Decline of the Zairian State*, Madison, WI: University of Wisconsin Press, 1985, pp. 302-303, 405.

45. "Survey: Russians Richer, Coy," *The St. Petersburg Times*, April 7-13, 1997, <http://www.spb.su/times/current/survey.html>.

46. Ironically, Russia's military is in even worse condition than African societies, where the armed forces have traditionally occupied a role as the most technologically advanced—and politically active—institution.

47. David Brown, "Bureaucracy as an Issue in Third World Management: An African Case Study," *Public Administration and Development*, Vol. 9, 1989, p. 377.

48. Jackson, p. 193.

49. S. Frederick Starr, "Introduction: The Legacy of History in Russia and the New States of Eurasia," in *The Legacy of History in Russia and the New States of Eurasia*, S. Frederick Starr, ed., Armonk, NY: M.E. Sharpe, 1994, p. 9.

50. Jackson, p. 193.

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